

ORIGINAL

# OPEN MEETING

## MEMORANDUM



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TO: THE COMMISSION

2012 APR 24 P 2:35

FROM: Utilities Division/Jeff Pasquinelli

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: April 24, 2012

RE: UNS ELECTRIC INC. - APPLICATION FOR APPROVAL OF REVISED PRICING PLAN RIDER-3 MARKET COST OF COMPARABLE CONVENTIONAL GENERATION (DOCKET NO. E-04204A-12-0125)

### Background

On March 30, 2012, UNS Electric, Inc ("UNSE" or "Company") filed an application for approval of its revised Pricing Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG"). UNSE's Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities.

The Commission's Decision No. 71412 approving UNSE's Net Metering tariff ("NM-PRS") stated:

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill, the Company would credit the Customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Company's applicable avoided cost. UNSE has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Pricing Plan Rider-3 applicable to the NM-PRS. The proposed Rider-3 indicates that the MCCCG will be filed annually (by April 1) by UNSE for approval by the Commission.

### Proposed Tariff

UNSE's proposed revision to Pricing Plan Rider-3 would decrease the MCCCG and would therefore decrease the avoided cost rate from 3.9791¢ per kWh to 2.9003¢ per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed UNSE's hourly marginal costs that resulted in the 2.9003¢ rate and finds the data and calculations to be reasonable.

Arizona Corporation Commission

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THE COMMISSION

April 18, 2012

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**Recommendations**

Staff recommends that UNSE's revised Pricing Plan Rider-3 (MCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

Staff further recommends that UNSE file a Pricing Plan Rider-3 consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:JJP:sms\RRM

ORIGINATOR: Jeffrey Pasquinelli

1                                    **BEFORE THE ARIZONA CORPORATION COMMISSION**

2    GARY PIERCE

Chairman

3    BOB STUMP

Commissioner

4    SANDRA D. KENNEDY

Commissioner

5    PAUL NEWMAN

Commissioner

6    BRENDA BURNS

Commissioner

7  
8    IN THE MATTER OF THE APPLICATION )  
9    OF UNS ELECTRIC, INC. FOR APPROVAL )  
10   OF REVISED PRICING PLAN RIDER-3 )  
11   MARKET COST OF COMPARABLE )  
12   CONVENTIONAL GENERATION )

DOCKET NO. E-04204A-12-0125

DECISION NO. \_\_\_\_\_

ORDER

12   Open Meeting  
13   May 22 and 23, 2012  
14   Phoenix, Arizona

14   BY THE COMMISSION:

15                                    FINDINGS OF FACT

16            1.     UNS Electric, Inc ("UNSE" or "Company") is certificated to provide electric  
17   service as a public service corporation in the State of Arizona.

18            2.     On March 30, 2012, UNSE filed an application for approval of its revised Pricing  
19   Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG"). UNSE's Pricing  
20   Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering  
21   Facilities.

22            3.     The Commission's Decision No. 71412 approving UNSE's Net Metering tariff  
23   ("NM-PRS") stated:

24            Each calendar year, for the customer bills produced in October (September usage) or a  
25   customer's "Final" bill, the Company would credit the Customer for the balance of excess  
26   kWhs remaining. The payment for the purchase of these excess kWhs would be at the  
27   Company's applicable avoided cost. UNSE has defined its avoided cost as the average  
28   hourly market cost of comparable conventional generation as specified on its proposed

1 Pricing Plan Rider-3 applicable to the NM-PRS. ... The proposed Rider-3 indicates that the  
2 MCCCCG will be filed annually (by April 1) by UNSE for approval by the Commission.

3 **Proposed Tariff**

4 4. UNSE's proposed revision to Pricing Plan Rider-3 would decrease the MCCCCG and  
5 would therefore decrease the avoided cost rate from 3.9791¢ per kWh to 2.9003¢ per kWh for  
6 purchases of excess energy from Net Metering Facilities.

7 5. Staff has reviewed UNSE's hourly marginal costs that resulted in the 2.9003¢ rate  
8 and finds the data and calculations to be reasonable.

9 **Recommendations**

10 6. Staff has recommended that UNSE's revised Pricing Plan Rider-3 (MCCCCG) as  
11 applicable to Pricing Plan Rider-4 NM-PRS be approved.

12 7. Staff has further recommended that UNSE file a Pricing Plan Rider-3 consistent  
13 with the Decision in this case within 15 days of the effective date of the Decision.

14 **CONCLUSIONS OF LAW**

15 1. UNSE is an Arizona public service corporation within the meaning of Article XV,  
16 Section 2, of the Arizona Constitution.

17 2. The Commission has jurisdiction over UNSE and over the subject matter of the  
18 application.

19 3. Approval of Pricing Plan Rider-3 does not constitute a rate increase as  
20 contemplated by A.R.S. Section 40-250.

21 4. The Commission, having reviewed the application and Staff's Memorandum dated  
22 April 24, 2012, concludes that Pricing Plan Rider-3 should be approved as discussed herein.

23 **ORDER**

24 IT IS THEREFORE ORDERED that UNS Electric, Inc.'s revised Pricing Plan Rider-3 be  
25 and hereby is approved as discussed herein.

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that UNS Electric, Inc. shall file a revised tariff consistent  
2 with this Decision with Docket Control, as a compliance matter to this docket, within 15 days of  
3 the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**  
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8 \_\_\_\_\_  
9 CHAIRMAN

COMMISSIONER

10  
11 \_\_\_\_\_  
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, Ernest G. Johnson, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto, set my hand and caused the official seal of this  
16 Commission to be affixed at the Capitol, in the City of Phoenix,  
17 this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

18 \_\_\_\_\_  
19 ERNEST G. JOHNSON  
20 EXECUTIVE DIRECTOR

21 DISSENT: \_\_\_\_\_

22 DISSENT: \_\_\_\_\_  
23

24 SMO:JJP:sms\RRM  
25  
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27  
28

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